

Issues/Decision Paper

DRAFT

BadgerCare Plus Program
WI Department of Health and Family Services
DHCF/SO

Issues Recommendations Summary

June 26, 2006

BadgerCare Plus Steering Committee

For discussion at the BadgerCare Plus Advisor Meeting 6/29/2006

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1 Crowd-Out Minimization

Per Steering Committee discussion June 8th

1.1 Issue

Wisconsin must choose policies to limit crowd-out of private insurance during the design phase of the BadgerCare Plus (BC+) program. Crowd-out refers to the substitution of public programs for private arrangements. In the context of health insurance, three major crowd-out pathways are possible:

1. an individual or family drops private coverage for public coverage;
2. an enrollee in a public program refuses an offer of private coverage; or
3. an employer takes actions that force or encourage employees to drop their coverage in favor of a public program.

The key challenge is to find the balance between expanded coverage and preventing crowd-out of already offered private insurance coverage.

Alternatives include both direct policies to motivate enrollee and employer behavior, and indirect policies to keep private insurance.

1.2 Recommendation

Research and experience by other states suggest that a combination of direct and indirect policies is needed to limit crowd-out.

- Implement “look back and look forward” provisions. Individuals and families with current coverage and access to employer sponsored insurance, where the employer contributes 80% or more of the premium cost for individual or family health insurance, who have had access to such a plan in the past 12 months, or who will be allowed to enroll in such a plan in the next 3 months will not be eligible for BadgerCare Plus.
- For pregnant women, the “look back and look forward” provisions do not apply. Rather, pregnant women with incomes up to 300% of poverty will be eligible for the term of their pregnancy plus a short term (*to be determined*) following the birth provided the enrollee retains any existing insurance coverage.
- All direct crowd-out provisions apply to all individuals above 150% of Federal Poverty Level (FPL) except pregnant women who must maintain their current coverage.
- Implement all indirect policies:
 - matching insurance datasets
 - employment verification
 - monitoring and analyzing of trends

2 Income Eligibility Methodology

Per Steering Committee discussion June 8th

2.1 Issue

The State must choose an income budgeting method to use when determining BadgerCare Plus eligibility and responsibility for premiums. Six different alternatives are presented.

1. A gross income test with no deductions or disregards using the proposed income limits.
2. A gross income test with no deductions or disregards using the proposed income limits but adding deductions for a post-eligibility determination for premium amounts or co-pays.
3. A gross income test with no deductions or disregards using higher income limits than those proposed.
4. A gross income test with a standard deduction using the proposed limits.
5. A gross income test using two of the current disregards and comparing the net to the proposed income limits.
6. Transitional Grand-fathering for Non-Pregnant Parents/Caregivers

2.2 Recommendation

Option 5 and Option 6 are recommended. Option 5 would determine eligibility by allowing two deductions from a family's gross income. These deductions would be a modified Student Earned Income Disregard (earned income of any minor under age 18 would not be counted) and the current Support Payment Disregard. Premiums would

also be based on a comparison of net income to 150% of FPL. Option 6 would allow those adult parents/caregivers currently eligible for Medicaid, Healthy Start or BadgerCare, to retain that health care coverage under BadgerCare Plus for a maximum of 18 months, regardless of income.

Combining these two options adversely affects eligibility for the fewest number of cases (estimated at 2,700), who are protected for up to 18 months, while greatly simplifying the program. Only a small percentage (4%) of cases is expected to need to report the information to have the disregard applied to their income, which should minimize benefit and administrative cost increases.

The BadgerCare Plus Steering Committee is also interested in looking at increasing the income limit or creating a standard deduction in conjunction with this recommendation to further reduce the adverse impact on parents/caregivers in the program.

3 Spend-Down Provision

Per Steering Committee discussion June 8th

3.1 Issue

Should Wisconsin allow pregnant women or children to ‘spend down’ their income using incurred medical expenses to qualify for BadgerCare Plus?

Federal law and regulation allow for a one-month or a six-month spenddown period. Discussion of whether BadgerCare Plus should allow any of its coverage groups (adult caretakers, pregnant women, or children under age 19) to qualify by incurring medical expenses equivalent to the amount that their family income exceeds the income limit.

3.2 Recommendation

Pregnant women with family incomes greater than 300% of the FPL should be allowed to qualify for BadgerCare Plus (and pay a monthly premium) if their incurred medical expenses equal the amount that their family income exceeds 300% of the FPL.

This would continue to cover all pregnant women who are currently covered under Medicaid. This policy also is consistent with the overall goals of the Department’s Healthy Birth Outcomes project by providing quality prenatal care to uninsured pregnant women. BC+ would cover pregnant women with incomes above 300% of the FPL with extraordinary bills. For example, a pregnant woman with serious medical problems that require expensive health care goods and services would be allowed to use the expense to meet a spenddown to 300% of the FPL.

The Department will continue to explore possible approaches for covering a select group of individual children under age 19 who have insurance coverage or access and have catastrophic health care costs. The family would be subject to premiums only for the child with extraordinary health care needs. Other children in the family would not be eligible for BC+.

4 Deficit Reduction Act (DRA) & Cost Sharing Provisions

Per Steering Committee discussion June 13th

4.1 Issue

Under the Deficit Reduction Act of 2005 (DRA), premiums, co-payments, and deductibles may not exceed 5% of family income, applied on a quarterly or monthly basis for individuals and families with family income greater than 100% of the FPL. In addition, DRA prohibits premiums or other cost-sharing measures for pregnant women.

The State must decide whether to: 1) operationalize this provision as mandated by the DRA, or 2) request a waiver of this provision.

Alternatives to meet the requirements of the act include:

1. Automated cost share tracking via re-designed point-of-sale system
2. Manual cost share tracking by participants and providers
3. Set premiums at or below 5% of family income with no other cost-sharing
4. Apply the 5% cost-sharing cap in aggregate, across all participants
5. Individual recipient reconciliation on an annual basis

4.2 Recommendation

Option 4 -The recommendation is to request a waiver of federal law, thus allowing the State to apply the 5% cost-sharing cap in aggregate, across the eligible population. This approach provides the State the most flexibility to meet program objectives (i.e., premiums and co-payments may be charged), entails the fewest system changes, is most like the current process for participants and providers, and represents a reasonable attempt to comply with federal provisions.

For those individuals between 150% and 200% of the FPL (non-pregnant adults), we will continue the current cost sharing (nominal and none) with a premium of no more than 5% of the family income.

For children and pregnant women with incomes above 200% of the FPL, we will waive the DRA cost sharing provisions.

5 Premium Model & Income Limits

Per Steering Committee discussion June 13th

5.1 Issue

Wisconsin must select a premium structure for BC+ for children, families, adults, and pregnant women with incomes over 200% of FPL.

Three populations were considered:

1. Premiums for children with incomes from 200-300% of the FPL
2. Premiums for adults 150-250% of the FPL
3. Premiums for pregnant women 200-300% of the FPL

Several options for each population were discussed, including percentage of capitation rates based on income, polynomial distribution of capitation rates based on income, capping premiums at a percentage of income or percentage of per member per month (PMPM), premiums set or equated to 5% of household income, and various combination scenarios.

5.2 Recommendation

The following principles are recommended to guide development of premiums for BC+ populations.

1. Non-pregnant BadgerCare Plus eligible adults between 150% and 200% of the FPL will be charged a premium if they want coverage for themselves (adults). Premiums will not be charged for pregnant women or children under age 19 with incomes between 150% -200% of the FPL. For pregnant women and kids eligible under BC+ above 200% of the FPL, there will be a premium.
2. The Department will use a polynomial, PMPM approach for everyone who pays a premium.
3. There will be rate bands and caps. Options for both will be presented with a recommendation in a separate premium caps issue/decision paper.
4. For children and pregnant women with family income that exceeds 200% of the FPL, there will be a minimum premium.
5. For children, the premium will be based upon the polynomial scale with a \$70 PMPM cap.
6. For pregnant women, the premium will be based upon the polynomial scale with a \$199 PMPM cap.
7. For adults, the premium will be based upon the polynomial scale with a 5% of family income cap.
8. *There will be a meeting with members of the BadgerCare Plus Benchmark Plan work group and BadgerCare Plus Premium work group to discuss how the cost sharing, income methodology and premiums fit together. This group will develop an issue paper that describes options for fitting the pieces together, how each option affects current and expanded coverage groups with a recommendation for the BadgerCare Plus Steering Committee.*

6 Refundable Tax Credit

Scheduled for discussion June 23rd

6.1 Issue

Should the State create a tax credit or voucher program to encourage employers to offer comprehensive, affordable health insurance to their employees? Should the State consider the use of tax credits or vouchers to help employees purchase health insurance?

Alternatives include:

1. Individual income tax credit for health insurance
2. Tax credits for businesses to offer affordable, employer-sponsored health insurance
3. Vouchers for businesses to purchase affordable health insurance
4. Vouchers to help individuals purchase health insurance
5. Encourage employer-sponsored insurance through Health Insurance Premium Payment (HIPP) and Healthy Wisconsin

6.2 Recommendation

It is recommended that the steering committee not include any of the tax credit/voucher options in the BadgerCare Plus program design. Instead, the existing HIPP program should be reformed and expanded. In addition, during the development of Healthy Wisconsin, department staff should explore the use of tax credits and other mechanisms to cost effectively lower the cost of health insurance for small businesses and individuals.